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SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
MAY 10, 1977

1. ECONOMIC SUMMIT (CONFIDENTIAL)

ALTHOUGH WE ARE STILL AWAITING A FULLER ACCOUNT OF THE LONDON SUMMIT, IT APPEARS TO HAVE ACHIEVED THE OBJECTIVE OF RECONFIRMING THE LEADING INDUSTRIAL DEMOCRACIES' WILL AND DESIRE TO COORDINATE THEIR POLICIES AND COOPERATE IN THE FIELDS OF MACRO-ECONOMIC MANAGEMENT, TRADE, ENERGY AND NORTH/SOUTH ISSUES. THE COMMUNIQUE'S LANGUAGE APPEARS TO BE SOMEWHAT SOFTER ON ANTI-PROTECTIONISM AND ON RESOURCE TRANSFER TO LDCS THAN EXPECTED. THE PRESIDENT FOUND SUPPORT ON HUMAN RIGHTS AND ILLICIT PAYMENTS.

CONFIDENTIAL

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PAGE 02 STATE 106795

2. SUMMIT FOLLOW-UP (CONFIDENTIAL)

THE SUMMIT MEETING AGREED THAT EACH PARTICIPANT WILL DESIGNATE AN INDIVIDUAL RESPONSIBLE FOR FOLLOW-UP COORDINATION: HENRY OWEN HAS BEEN NAMED FOR U.S. THE FIRST MAJOR FOLLOW-UP MEETING IS BEING HELD IN THE XCSS OF THE OECD TODAY. THE AGENDA INCLUDES THE GENERAL ECONOMIC

SITUATION AND ECONOMIC COORDINATION AMONG MEMBER COUNTRIES,

THE TRADE PLEDGE, AND ECONOMIC RELATIONS WITH DEVELOPING COUNTRIES.

3. TRADE UNION ADVISORY COUNCIL (TUAC) PUSHES FULL EMPLOYMENT IN OECD (LIMITED OFFICIAL USE)

IN ITS MAY LIAISON COMMITTEE MEETING TUAC TOOK A FIRM STAND IN CALLING FOR THE INDUSTRIALIZED NATIONS TO RETURN TO A GOAL OF FULL EMPLOYMENT. THE TIMING OF THE TUAC MEETING WAS AIMED AT HAVING MAXIMUM IMPACT ON THE LONDON SUMMIT. THE AFL/CIO REP. PARTICIPATED IN TUAC FOR FIRST TIME IN MANY YEARS AND READ A STATEMENT FROM GEORGE MEANY,

TUACS' POSITION IS IN SHARP CONTRAST TO THE OECD MEDIUM TERM STRATEGY FOR SUSTAINABLE GROWTH ENDORSED AT JUNE 1976 MINISTERIAL. OECD SECGEN VAN LENNEP RESPONDED TO THE CRITICISM OF THE OECD STRATEGY AGREEING TO FURNISH A WRITTEN RESPONSE WHICH COULD FORM THE BASIS OF FOLLOW-UP MEETINGS BETWEEN LIAISON COMMITTEE AND OECD.

4. PRESIDENTIAL DECISIONS ON THE COMMON FUND, WORLD BANK CAPITAL INCREASE, AND BILATERAL AID (CONFIDENTIAL)

JUST PRIOR TO HIS DEPARTURE FOR THE ECONOMIC SUMMIT THE PRESIDENT MADE DECISIONS ON EPG POLICY RECOMMENDATIONS IN SEVERAL KEY AREAS:

CONFIDENTIAL

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PAGE 03 STATE 106795

(A) COMMON FUND

AGREED THAT THE U.S. SHOULD SUPPORT A COMMON FUND WHICH PERMITS A POOLING OF FUNDS TO VARIOUS BUFFER STOCKS AND INCLUDES A PROVISION FOR WORLD BANK LENDING TO SUPPLEMENT THESE FUNDS.

(B) WORLD BANK CAPITAL

AGREED THAT THE U.S. NEGOTIATE A SUBSTANTIAL WORLD BANK GENERAL CAPITAL INCREASE AND INDICATE SUCH AT THE SUMMIT AND THE CIEC MINISTERIAL.

(C) BILATERAL AID

DISAPPROVED A RECOMMENDATION TO DOUBLE THE LEVEL OF BILATERAL AID BUT INDICATED INSTEAD HIS PREFERENCE FOR QUOTE MORE EFFECTIVE AID UNQUOTE. AGREED, HOWEVER, TO COOPERATE WITH THE EUROPEANS IN CHANNELING ADDITIONAL AID

TO THE POOREST LDCS AND APPROVED A FY 79 BUDGET LEVEL FOR AID 300 MILLION DOLLARS ABOVE FY 77 IN ORDER TO IMPLEMENT THIS PROGRAM.

5. OPIC (LIMITED OFFICIAL USE)

AN INTERAGENCY MEETING IN TREASURY ON MAY 5 REGARDING THE FUTURE OF OPIC REACHED WIDE-RANGING CONSENSUS ON THE OPTIONS TO BE PRESENTED TO THE EPG ON SUCH ISSUES AS PRIVATIZATION, SELF-SUFFICIENCY, COUNTRY-COVERAGE, EMPHASIS ON MINERAL EXPLORATION AND EXPLOITATION, ETC. FEARS OF TREASURY AND OMB RESTRICTIONS PROVED TO BE UNWARRANTED AND ASSUMING EPG APPROVAL LATER THIS MONTH, THE ADMINISTRATION'S PROPOSALS FOR AN EXTENDED STATUTORY MANDATE FOR OPIC WOULD MAKE IT A VALUABLE INSTRUMENT OF ECONOMIC POLICY IN THE EA REGION. EA SENT A MEMORANDUM TO E, EB,

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PAGE 04 STATE 106795

TREASURY AND OMB CONTAINING SOME SUGGESTIONS ON INNOVATIVE OPIC POLICIES AND PROGRAMS IN SOME OF THE EA COUNTRIES.

6. IFIS AND HUMAN RIGHTS (LIMITED OFFICIAL USE)

IN ANTICIPATION OF A HUMAN RIGHTS AMENDMENT TO THE IFI AUTHORIZATION BILL, A MECHANISM IS BEING DEVELOPED BETWEEN STATE, TREASURY AND NSC TO REVIEW UP-COMING IFI LOANS WELL IN ADVANCE OF BOARD ACTIONS. FIRST STEP APPEARS TO BE WEEKLY MEETINGS BETWEEN EB, D/HA, REGIONAL BUREAUS AND OTHER INTERESTED OFFICES. THE MECHANICAL REVIEW WHETHER A COUNTRY IS A PROBLEM COUNTRY AND WHETHER THE LOAN HELPS THE NEEDY LEAVES A GREAT DEAL TO BE DESIRED. RECOMMENDATIONS GO TO THE NSC COMMITTEE CHAIRED BY MR. CHRISTOPHER WHICH THEN ADVISES THE SECRETARY OF THE TREASURY WHO INSTRUCTS THE U.S. EXECUTIVE DIRECTOR ON THE IFI. SO FAR WE HAD NO MAJOR PROBLEMS ON EA COUNTRY LOANS. WE URGED THAT REGIONAL BUREAU REPS. ATTEND MR. CHRISTOPHER'S COMMITTEE MEETINGS.

7. US-ASEAN CONSULTATIONS (CONFIDENTIAL)

WE ARE STILL AWAITING WORD FROM EMBASSY MANILA WHETHER SECRETARY OF INDUSTRY PATERNO WILL PULL OFF THE PRIMACY OF THE ECONOMIC MINISTRIES IN THE US-ASEAN CONSULTATIONS. IN THE MEANTIME MRS. MANALO, REPRESENTING THE FOREIGN MINISTRY IS NOT TOO HAPPY ABOUT THE ATTEMPT TO DOWNGRADE HER DEPARTMENT.

8. CALENDAR FOR TRADE AND COMMODITY NEGOTIATING SESSIONS SET FOR THE REMAINDER OF THE YEAR (LIMITED OFFICIAL USE)

AT THE MEETING OF THE 16TH UNCTAD TRADE AND DEVELOPMENT

BOARD (TDB) LAST WEEK TENTATIVELY AGREED TO DATES FOR A
NUMBER OF FORTHCOMING TRADE AND COMMODITY MEETINGS:
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PAGE 05 STATE 106795

- (A) 16TH SESSION OF THE TDB: AUGUST 23-SEPTEMBER 2
- (B) COMMON FUND NEGOTIATIONS: NOVEMBER 7-DECEMBER 2
- (C) EXPERT MEETINGS ON CODE OF CONDUCT FOR TRANSFER OF
TECHNOLOGY: JULY 25-AUGUST 2; OCTOBER 31-NOVEMBER 11
- (D) NEGOTIATING CONFERENCE ON WHEAT: OCTOBER (POSSIBLE)
- (E) NEGOTIATING CONFERENCE ON SUGAR: OCTOBER (POSSIBLE)

9. FOOTWEAR TALKS (CONFIDENTIAL)

THE STR TEAM NEGOTIATING AN OMA ON NON-RUBBER FOOTWEAR HAS
FOUND THE KOREANS RELUCTANT NEGOTIATORS. THE MAJOR
STUMBLING BLOCK IS THE RESTRAINT LEVEL PROPOSED BY THE
U.S. OF 30-34 MILLION PAIRS. THE IMPLICATION BY THE
KOREANS IS THAT UNLESS THEY GET A FIGURE IN THE
40 MILLION PLUS RANGE THEY WOULD RATHER FACE A UNILATERAL
QUOTA THAN PUBLICLY AGREE TO THAT DEEP A CUT FROM 76
FIGURES. THE KOREANS CONTINUE TO PRESS FOR AS FLEXIBLE
AN AGREEMENT AS POSSIBLE. TALKS WERE NOW HELD WITH THE
ROC, AN OUTLINE OF AN AGREEMENT WITH BOTH THE ROC AND ROK
HAS EMERGED AND THE TEAM IS BACK IN SEOUL TO COMPLETE THE
NEGOTIATIONS.
CHRISTOPHER

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